

CITY OF MESA
PROPOSED SECONDARY PROPERTY TAX RATE INCREASE

Purpose

This report is intended to meet the requirements of Arizona Revised Statutes (“A.R.S.”) § 9-499.15 regarding a proposed increase to the secondary property tax rate and levy in the City of Mesa, Arizona (“City”) for fiscal year 2021/22.

Background

A.R.S. Title 35, Chapter 3, Article 3 authorizes municipalities to issue general obligation bonds payable from ad valorem tax levied on all taxable property within the municipality. City voters approved such a general obligation bond question at the November 3, 2020 general election (“Resolution No. 11526”). The approval of Resolution No. 11526 authorized the City to issue and sell a total of \$100 million in new bonds to provide funds for streets and other transportation-related projects. The City pays for the debt service (principal and interest) owed on general obligation bonds primarily with secondary property tax.

The City can spend secondary property tax revenue only to repay general obligation debt. The secondary property tax rate is calculated using values for property in the City as published by the Maricopa County Assessor’s Office. The secondary property tax rate is applied to each property’s limited property value (“LPV”) to determine the tax due. The City Council adopts the secondary property tax rate and levy each year.

Adjustment

The City’s practice is to fully adjust the secondary property tax levy in the fiscal year following a successful bond election in order to fund all newly-authorized bonds after they are issued. The City only sells bonds annually, as needed, to fund capital projects in that year. The proposed increase to the FY 2021/22 secondary property tax rate and levy would fund the debt service on the bonds approved by voters via Resolution No. 11526.

The proposed FY 2021-22 secondary property tax levy and tax rate are:

Levy = \$45,163,931

Rate = \$1.1319 per \$100 of taxable value

The FY 2021/22 proposed tax rate applied to a median residential LPV of \$150,000 (\$279,000 sale value) would result in a City property tax bill of \$170 per year.

Table 1 below compares the City’s FY 2020/21 secondary property tax with the proposed changes for FY 2021/22.

Table 1. FY20/21 and Proposed FY21/22 Secondary Property Tax

	FY20/21	FY21/22 Proposed	\$ Change	% Change
Limited Property Value (Taxable Value)	\$3.74 billion	\$3.99 billion	+\$0.25 billion	+7%
Secondary Property Tax Rate (per \$100 of Taxable Value)	\$1.1171	\$1.1319	+\$0.0148	+1%
Secondary Property Tax Levy (Taxable Value x Tax Rate)	\$41.7 million	\$45.2 Million	+\$3.5 million	+8%
Annual Cost to Median Homeowner	\$160	\$170	+\$10	+6%